



# ECONOMIC INDICATORS

SEPTEMBER - OCTOBER 2000

## REVIEW OF RECENT ECONOMIC DEVELOPMENTS

**C**alifornia's underlying employment growth remains strong, and a low unemployment rate persists. New home construction, existing home sales, and home prices are growing strongly. The state's exports also continue to expand.

### EMPLOYMENT

California's nonfarm employment grew by 14,500 jobs in August. The gain was modest due to the ongoing reduction in temporary federal Census workers and a labor dispute in the motion picture industry. Without these developments, industry employment would have grown by at least 20,000 jobs. Nationally, nonfarm employment actually fell by 105,000 jobs in August, but would have gained about 100,000 jobs if the effects of the Census and an East Coast telecommunications strike were excluded.

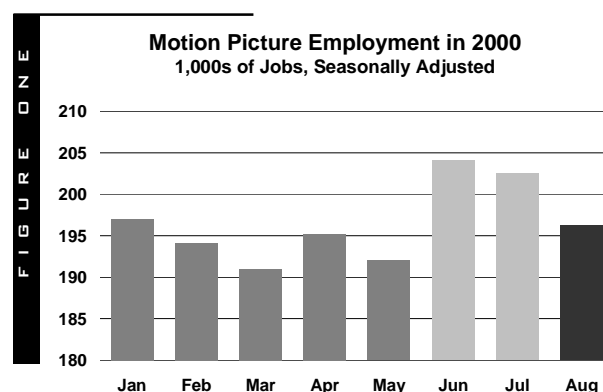
Based on a substantial boost in eating and drinking establishment employment, the trade sector was the job growth leader in August—growing by 6,200. Transportation and public utility employment followed, adding 4,700 jobs.

### VOLATILE MOTION PICTURE EMPLOYMENT DAMPENS SERVICE GROWTH

The service sector is normally the state's employment growth leader. In August, services posted a gain of only 1,000 jobs due to a 6,300-drop in motion picture employment. At least part of this drop is probably the result of an actors' strike against television commercial producers, but given the volatility of this industry, it is not certain that this accounts for the entire decline. Motion picture employment surged in June and July, apparently from accelerated production in anticipation of the strike.

Manufacturing employment in California added 2,200 jobs in August, in contrast to a nationwide drop of 77,000. Durable manufacturing was boosted by sharp gains in electronics, while nondurable manufacturing advanced based on strong growth in food processing.

Government employment dropped by 2,400 jobs in August, reflecting mainly the continuing reductions in Census-related federal employment.



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## County Unemployment Rates

August 2000

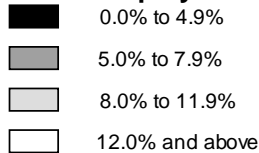
State Rate: 5.1%

On a year-over-year basis, California nonfarm employment grew by 417,300 or 3.0 percent. Services contributed the most new jobs—170,400—with fully half added to business services. Trade and government followed suit, each adding more than 74,000 jobs over the year. Transportation employment has been stimulated by increased shipping traffic at California's ports. Water transportation employment increased by 10.7 percent over the year from the addition of 2,600 jobs.

California's unemployment rate held steady at July's 5.1 percent level in August, which was also little changed from the August 1999 reading of 5.0 percent. This small rise was principally the result of the strong 2.7 percent increase in the labor force that continues to outpace gains in civilian employment, which was up 2.6 percent on the year. The unemployment and civilian employment figures are based on a survey of households. The nonfarm industry data are from a separate, larger survey of employers.

Regionally, labor markets remain exceptionally tight in the state's major metropolitan areas. The San Francisco Bay region is the state's tightest. The nine-county San Francisco Bay Area enjoys an average unemployment rate of 2.6 percent. Moreover, all of the counties of the adjacent Sacramento metropolitan area enjoy unemployment rates well below 5.0 percent. Labor markets are also tight in the south but not to the same degree. The average unemployment

### % Unemployed



rate for the six-county Los Angeles region was 4.9 percent in August. The unemployment situation in the Central Valley has improved considerably over the past year, even though its rates are generally higher than those in the San Francisco and Los Angeles.

## REAL ESTATE

In residential real estate, low inventory and record high prices led median home prices and sales rates to drop slightly in June and July but both rebounded in August. At an annual rate of 558,100 units, sales of existing single-family homes in August rose 17.7 percent from a month earlier and 4.7 percent above the August 1999 pace. The August gains were partly aided by falling mortgage interest rates, which have since dropped below the 8 percent mark.

Single-family home prices rose in August with the statewide median price of a single-family home rising 5.1 percent from July to \$255,600—a full 14 percent higher than the August 1999 median. The San Francisco Bay Area continues to have the highest home prices in the state. The median single-family home price in Santa Clara County (the Silicon Valley) topped \$522,000 in August, a 26.2 percent increase over August 1999.

## BUILDING ACTIVITY

Following June's 24 percent leap to a ten-year high, new home construction—measured by units authorized by building permits—slowed in July, principally reflecting reduced multi-family activity in the Orange, San Diego and San Jose metropolitan areas, which were the source of June's leap. Construction rebounded somewhat

### California Residential Construction in Major Metropolitan Areas Permits Issued from January to August Percentage Change 1999 - 2000

MSA	Single Family	Multi-Family	Total
<b>San Francisco Bay Area</b>			
Oakland	4.6	11.5	6.2
San Francisco	(7.9)	14.9	8.1
San Jose	(18.0)	20.7	2.7
<b>Southern California</b>			
Los Angeles-Long Beach	10.8	49.8	26.7
Orange County	(17.4)	77.8	12.7
Riverside-San Bernardino	(5.4)	38.6	(1.1)
San Diego	(10.1)	4.2	(4.7)
<b>Central Valley</b>			
Fresno	6.9	87.9	11.1
Sacramento	10.3	12.4	10.7
Stockton-Lodi	33.3	0.0	34.3
<b>CALIFORNIA TOTAL</b>	<b>(0.5)</b>	<b>23.0</b>	<b>5.3</b>

Source: Construction Industry Research Board

in August as total new housing permits rose to a seasonally adjusted annual rate of 137,500 units—an 8.5 percent increase from July.

Residential construction thus far in 2000 has greatly favored multi-family dwelling. Through August of this year, single-family permits are running slightly lower than during the same period of 1999, while multi-family permits have risen 23 percent over last year. Declining home affordability has made this imbalance most pronounced in the San Francisco Bay and Southern California regions.

## TRADE

A significant contributor to the recent strength of California's high technology manufacturing is a dramatic improvement in the volume of state exports. Driven principally by the high technology sector, made-in-California exports jumped 25 percent in the second quarter of 2000 over the same period in 1999. Exports of industrial machinery (including computers), instruments, and electronic equipment expanded by 41, 31, and 29 percent respectively. Regionally, exports to South Korea, Taiwan, and Mexico posted the largest year-over-year gains among the state's leading markets—increasing 61, 35, and 33 percent respectively.

## NEW GROSS STATE PRODUCT ESTIMATES

In September 2000, the U.S. Department of Commerce, Bureau of Economic Analysis (BEA) released new estimates of gross state product (GSP). These new figures clearly indicate the strength and importance of the California economy. The state accounts for one-eighth of the entire nation's output, and California's growth rate in 1998 exceeded the nationwide pace by more than a full percentage point.

The release includes revisions to existing data and an original estimate for 1998. BEA revised its estimates for the years 1977 through 1997 to incorporate the 1999 revisions to the national income and product accounts (see the July/August edition of *California Economic Indicators* for a discussion of these revisions). Overall, the revisions were small and were the most pronounced in the most recent years.

GSP is the state-level equivalent to gross domestic product (GDP). It is a measure of the costs incurred and incomes earned in the production of GDP on a state-by-state basis. GSP estimates are the sum of industry-specific estimates of employee compensation, indirect business tax and nontax liabilities, and property income such as corporate profits, proprietors' income, and rent.

GSP for the nation differs from GDP in that:

- GSP is derived from gross domestic income, which differs slightly from GDP,
- GSP excludes the compensation of federal civilian and military personnel stationed abroad and government consumption of fixed capital for military structures located abroad and for military equipment, except office equipment; and
- GSP is only available on an annual basis, and is reported with a lag of up to two years.

## REAL GSP

Inflation-adjusted GSP estimates are calculated by applying national implicit price deflators to current dollar GSP estimates. The same national deflators are applied to all state estimates, and thus real GSP figures do not reflect regional variations in the prices of goods and services bought and sold locally.

## CALIFORNIA GSP

The latest GSP estimates clearly illustrate the significance of California to the national economy and its contribution to the nation's economic performance. California accounts for approximately 13 percent of the nation's inflation adjusted gross product. In 1997, California was the first state to

The annual **Economic Report of the Governor** for 2000 is now available.

In addition to a comprehensive review of California's economic development in 1999, the Report also includes a brief overview of the state's remarkable economic history, from the Gold Rush to the rise of the new information-based industries.

Also available is the **California Statistical Abstract** for 2000.

The Reports are available on the Department of Finance's internet site at: <http://www.dof.ca.gov/>

Printed copies can be obtained at no charge by contacting Cecilia Palada at (916) 322-2263.

pass the \$1 trillion mark in gross product. In 1998, second-ranked New York's output was 63 percent as large as California's, while number three Texas was 59 percent of California's GSP.

California has generally grown faster than the nation as a whole. The recession of the early 1990s was exceptional in that the state's slowdown was more severe and longer lasting than the nation's. Once the state's recovery took hold however, California's growth rate accelerated rapidly to exceed the nation's in 1997 and 1998. Current employment and income data indicate that this trend persisted through 1999 and into 2000.

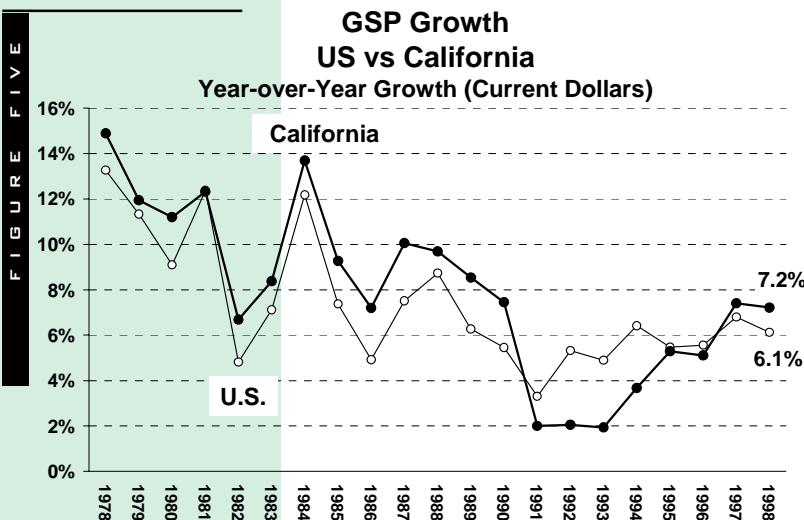
Preliminary estimates of 1999 GSP suggest that California's is now the sixth largest economy in the world, surpassing Italy, which ranked sixth in 1998. This advance reflects both California's strong economic growth that far outstripped Italy's in 1999, as well the strengthening of the dollar relative to the euro. A complete ranking of the leading economies is available at [http://www.dof.ca.gov/HTML/FS\\_DATA/LatestEconData/FS\\_Misc.htm](http://www.dof.ca.gov/HTML/FS_DATA/LatestEconData/FS_Misc.htm).

The latest GSP data also dramatically illustrates the growing importance to California of the high technology sector. Dramatic developments in telecommunications, multimedia, and the Internet significantly boosted the contribution of high technology manufacturing and

FIGURE FOUR

## 1998 Real Gross State Product Millions of Chained 1996 Dollars

Rank	GSP	% of US Total
US	8,537,669	
<b>1 California</b>	<b>1,093,871</b>	<b>12.8%</b>
2 New York	687,692	8.1%
3 Texas	640,283	7.5%
4 Illinois	416,082	4.9%
5 Florida	405,415	4.7%
6 Pennsylvania	353,113	4.1%
7 Ohio	333,621	3.9%
8 New Jersey	307,978	3.6%
9 Michigan	287,972	3.4%
10 Georgia	245,848	2.9%
11 Massachusetts	232,871	2.7%
12 North Carolina	227,619	2.7%
13 Virginia	221,678	2.6%
14 Washington	186,958	2.2%
15 Indiana	170,931	2.0%
16 Maryland	158,963	1.9%
17 Missouri	158,371	1.9%
18 Minnesota	157,876	1.8%
19 Wisconsin	155,347	1.8%
20 Tennessee	154,986	1.8%
21 Colorado	138,081	1.6%
22 Connecticut	138,053	1.6%
23 Arizona	131,765	1.5%
24 Louisiana	128,814	1.5%
25 Alabama	107,046	1.3%
26 Oregon	105,752	1.2%
27 Kentucky	104,281	1.2%
28 South Carolina	97,852	1.1%
29 Iowa	84,517	1.0%
30 Oklahoma	80,337	0.9%
31 Kansas	75,544	0.9%
32 Arkansas	60,658	0.7%
33 Mississippi	60,650	0.7%
34 Nevada	59,911	0.7%
35 Utah	58,076	0.7%
36 District of Columbia	51,733	0.6%
37 Nebraska	51,004	0.6%
38 New Mexico	48,638	0.6%
39 New Hampshire	41,036	0.5%
40 West Virginia	38,792	0.5%
41 Hawaii	38,015	0.4%
42 Delaware	31,989	0.4%
43 Maine	31,345	0.4%
44 Idaho	31,036	0.4%
45 Rhode Island	29,365	0.3%
46 Alaska	24,440	0.3%
47 South Dakota	21,188	0.2%
48 Montana	19,487	0.2%
49 Wyoming	17,806	0.2%
50 North Dakota	17,205	0.2%
51 Vermont	15,919	0.2%



Source: Bureau of Economic Analysis,  
U.S. Department of Commerce

computer programming services. The value of industrial machinery and electronic equipment production accounted for 2.4 percent of the state's GSP in 1989, jumping to 6.4 percent by 1998.

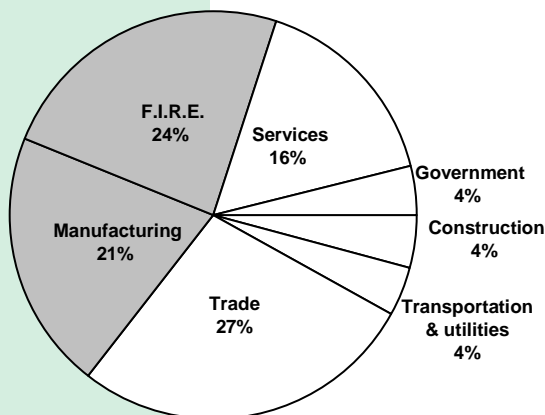
The growth of high technology industries is also apparent in the service sector. Although services' share of the state's output has been basically stable, business services—which includes personnel supply and data processing services both of whose growth has been closely tied to digital technology developments—has grown considerably. Business services accounted for 4.2 percent of state GSP in 1989 and rose to a 6.2 percent share in 1998.

In contrast to these developments, the significance of other industries diminished during the 1990s. A weak recovery in construction activity reduced its contribution to GSP from 4.8 percent in 1989 to 3.5 percent in 1998. Defense procurement reductions and aerospace industry consolidation led transportation manufacturing to fall from 2.0 percent of GSP in 1989 to only 0.7 percent in 1998. Financial industry restructuring, which included the mergers of several large California-based financial institutions, resulted in share decline from 23.4 percent of gross product in 1989 to 22.0 percent in 1998.

During 1998 California posted the strongest year-over-year real GSP growth rate since 1987—6.3 percent. This was also nearly one-half percentage point faster than the 1997 growth rate. The effects of the long-term trends noted above are indicative of the source of 1998's growth. Durable manufacturing—which includes high technology manufacturing—accounted for one-fifth of 1998's growth. Despite lagging over much of the decade, an active stock market, escalating construction activity, and a growing real estate market led the finance, insurance and real estate industry to grow by \$15.8 billion—accounting for 24 percent of 1998's growth.

## LATEST EVIDENCE

**Sources of California GSP Growth in 1998**



**FIGURE SIX**

### California Real Gross State Product

	1998*	Year-Year Percent Change	
		1996-97	1997-98
TOTAL GROSS STATE PRODUCT	1,093.9	5.9%	6.3%
Mining	5.1	5.0%	-6.2%
Construction	38.0	7.1%	7.8%
Manufacturing	160.5	9.1%	9.2%
Durable goods	114.0	14.7%	14.5%
Nondurable goods	47.3	-0.6%	-0.7%
Transportation & utilities	78.3	7.4%	3.5%
Trade	188.8	8.8%	10.6%
Wholesale trade	84.3	10.1%	12.7%
Retail trade	104.5	7.8%	8.9%
Finance, Insurance and Real Estate	240.3	4.9%	7.1%
Services	242.3	3.5%	4.6%
Government	118.2	1.3%	2.2%

\* Billions of chained 1996 dollars

Source: Bureau of Economic Analysis, U.S. Department of Commerce

The latest GSP estimates underscore the strength and diversity of the state's economy. Rapid growth in personal income and employment during 1999 and 2000 suggest that the state's overall economic growth strengthened even further in the last two years.



# SELECT INDICATORS

## EMPLOYMENT

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### EMPLOYMENT (Seasonally adjusted)

	2000				1999	Yr-Over-Yr % Change
	Aug	Jul	Jun	May	Aug	
Civilian employment (000)	16,198	16,096	16,139	16,084	15,784	2.6
Unemployment (000)	863	870	895	860	836	3.2
Unemployment rate	5.1	5.1	5.3	5.1	5.0	--
Nonagricultural wage and salary employment (000)	14,450.7	14,436.2	14,403.9	14,384.4	14,033.4	3.0
Mining	22.9	23.0	23.0	23.7	23.3	-1.7
Construction	741.4	740.4	735.5	729.1	683.7	8.4
Manufacturing	1,922.9	1,920.7	1,925.8	1,924.5	1,922.9	0.0
High technology a/	501.0	500.7	499.1	496.7	511.4	-2.0
Aircraft and parts	75.0	75.6	76.7	77.5	84.0	-10.7
Missiles and space vehicles	20.2	20.4	20.8	20.9	22.7	-11.0
Search and navigation equipment	51.3	51.6	51.1	50.8	53.2	-3.6
Computer and office equipment	93.5	93.3	92.7	92.4	96.3	-2.9
Communications equipment	39.3	39.1	39.1	38.9	39.8	-1.3
Electronic components	156.5	155.9	155.1	153.4	153.0	2.3
Measuring and controlling devices	65.2	64.8	63.6	62.8	62.4	4.5
Transportation and public utilities	750.8	746.1	747.1	745.5	723.0	3.8
Trade	3,286.5	3,280.3	3,270.8	3,263.5	3,210.6	2.4
Finance, insurance and real estate	834.8	832.9	829.8	829.1	823.3	1.4
Services	4,576.1	4,575.1	4,560.0	4,522.1	4,405.7	3.9
Government	2,315.3	2,317.7	2,311.9	2,346.9	2,240.9	3.3

## HOURS & EARNINGS

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### HOURS AND EARNINGS IN MANUFACTURING (Not seasonally adjusted)

Average weekly hours	41.6	41.3	41.7	41.4	41.6	0.0
Average weekly earnings	\$595.30	\$592.24	\$592.14	\$584.98	\$581.98	2.3
Average hourly earnings	\$14.31	\$14.34	\$14.20	\$14.13	\$13.99	2.3

## CONSUMER PRICES

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### CONSUMER PRICE INDEX (1982-84=100) (Not seasonally adjusted)

All Urban Consumers Series						
California Average	175.6	n.a.	174.0	n.a.	169.0	3.9
San Francisco CMSA	181.7	n.a.	179.1	n.a.	173.5	4.7
Los Angeles CMSA	172.2	171.7	171.0	171.1	166.3	3.5
Urban Wage Earners and Clerical Workers Series						
California Average	168.9	n.a.	167.4	n.a.	162.7	3.8
San Francisco CMSA	177.8	n.a.	175.2	n.a.	170.0	4.6
Los Angeles CMSA	165.3	165.0	164.3	164.4	159.8	3.4

## CONSTRUCTION

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### CONSTRUCTION

Private residential housing units authorized (000)	137.5	126.7	188.2	129.5	136.8	0.5
Single units	101.5	95.4	98.8	102.1	92.9	9.2
Multiple units	36.0	31.4	89.4	27.4	43.8	-17.9
Residential building authorized valuation (millions) c/	\$2,327	\$1,880	\$2,480	\$2,368	\$2,042	14.0
Nonresidential building authorized valuation (millions) c/	\$1,738	\$1,346	\$1,472	\$1,636	\$1,372	26.7
Nonresidential building authorized valuation (millions) d/	\$1,752	\$1,490	\$1,723	\$1,705	\$1,392	25.9
Commercial	688	539	658	641	351	95.9
Industrial	189	172	208	214	258	-26.8
Other	170	163	197	243	149	14.3
Alterations and additions	704	616	659	606	633	11.3

## AUTO SALES

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### AUTO SALES (Seasonally adjusted)

New auto registrations (number)	158,070	139,680	146,664	152,520	141,565	11.7
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a/ Based on the 1987 SIC codes. These values are not seasonally adjusted.

b/ Seasonally adjusted at annual rate

c/ Seasonally adjusted

d/ Not seasonally adjusted

n.a. Not available

# SELECT INDICATORS (CONTINUED)

## VACANCY RATES

### VACANCY RATES FOR 1ST QUARTER 2000 (Percent)

	Office			Industrial
	Total	Downtown	Suburban	
Northern and Central California:				
Fresno	n.a.	n.a.	n.a.	n.a.
Oakland-East Bay	4.5	6.3	4.0	--
Sacramento	7.7	6.3	8.1	8.6
San Francisco	0.7	0.9	0.4	5.3
San Jose	1.2	0.9	1.3	--
Southern California:				
Bakersfield	21.9	12.5	26.9	--
Los Angeles Metro	12.0	18.6	10.5	7.1
Orange County	10.5	--	10.5	--
San Diego	8.1	8.8	7.9	5.9
Ventura County	n.a.	--	14.0	--
National Average	9.0	7.4	9.9	7.8

## HOME PRICES

### MEDIAN PRICE OF EXISTING SINGLE-FAMILY HOMES

1999				2000			
Jan	\$202,201	Jul	220,529	Jan	\$233,947	Jul	243,243
Feb	197,870	Aug	224,195	Feb	230,519	Aug	255,582
Mar	212,330	Sep	220,330	Mar	238,871		
Apr	216,490	Oct	219,136	Apr	240,953		
May	220,410	Nov	221,887	May	240,908		
Jun	224,678	Dec	221,499	Jun	244,000		

n.a. Data not available at time of publication.

# LEADING INDICATORS/A

		Overtime Hours	Manufacturing Average Weekly Hours	Unemployment Insurance Initial Claims	New Business Incorporations	Housing Unit Authorizations (Thousands)
1997	Jan	4.7	41.4	66,020	4,712	92.9
	Feb	4.8	41.8	56,117	4,358	124.2
	Mar	5.1	42.1	58,765	3,571	94.5
	Apr	5.0	41.9	60,178	3,908	103.3
	May	5.0	41.8	59,332	4,500	108.8
	Jun	4.9	41.7	63,601	4,383	108.7
	Jul	4.9	41.8	61,923	4,750	114.1
	Aug	5.1	42.0	63,215	4,236	114.0
	Sep	5.0	42.1	64,015	4,742	118.2
	Oct	5.0	42.0	61,550	4,745	131.4
	Nov	5.0	42.2	57,984	4,439	115.4
	Dec	5.1	42.2	59,066	4,824	109.3
1998	Jan	5.1	42.0	56,203	4,716	113.1
	Feb	5.0	41.9	59,940	4,559	116.2
	Mar	4.9	41.8	58,820	4,598	119.1
	Apr	4.5	41.1	58,157	5,009	116.1
	May	4.7	41.8	58,924	4,540	119.5
	Jun	4.8	41.9	54,258	4,718	148.3
	Jul	4.8	42.0	54,260	4,845	120.1
	Aug	4.6	41.8	52,863	4,405	135.8
	Sep	4.5	41.6	50,654	3,722	121.9
	Oct	4.7	41.8	53,019	4,722	132.8
	Nov	4.6	41.7	54,254	4,778	136.9
	Dec	4.6	41.8	54,316	4,605	129.5
1999	Jan	4.6	42.0	51,980	4,942	151.2
	Feb	4.7	41.9	52,386	5,047	140.4
	Mar	4.7	41.9	53,251	6,016	139.1
	Apr	4.7	41.9	53,415	5,011	138.4
	May	4.8	41.9	50,463	5,364	137.7
	Jun	4.7	41.9	51,412	5,528	150.1
	Jul	4.6	41.8	51,272	5,300	143.0
	Aug	4.6	41.6	51,151	5,890	136.8
	Sep	4.6	41.5	49,985	5,781	127.0
	Oct	4.8	41.6	49,621	5,685	128.0
	Nov	4.8	41.5	51,198	6,098	143.7
	Dec	4.8	41.5	45,432	6,470	145.2
2000	Jan	4.9	41.4	50,599	6,530	168.8
	Feb	4.9	41.3	48,720	6,769	160.0
	Mar	4.9	41.3	47,543	8,319	159.6
	Apr	5.2	41.9	45,925	7,465	136.2
	May	5.0	41.5	47,972	6,824	129.5
	Jun	5.1	41.7	49,091	7,218	188.2
	Jul	5.1	41.6	48,595	7,149	126.7
	Aug	5.1	41.6	47,998	7,240	137.5

a/ Seasonally adjusted by the California Department of Finance.

# COINCIDENT INDICATORS/<sup>a</sup>

## EMPLOYMENT, UNEMPLOYMENT

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## INCOME, WAGES, TAXABLE SALES

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		Nonagricultural Employment (Thousands)	Manufacturing Employment (Thousands)	Unemployment Rate (Percent)	Unemployment Avg. Weeks Claimed (Thousands)
1997	Jan	12,903	1,878	6.7	444
	Feb	12,968	1,887	6.5	410
	Mar	13,017	1,895	6.4	374
	Apr	13,080	1,899	6.4	397
	May	13,096	1,905	6.3	367
	Jun	13,129	1,913	6.3	379
	Jul	13,158	1,920	6.2	396
	Aug	13,176	1,923	6.2	374
	Sep	13,220	1,927	6.2	382
	Oct	13,253	1,933	6.2	386
	Nov	13,263	1,942	6.1	374
	Dec	13,332	1,952	6.1	401
1998	Jan	13,405	1,954	6.0	337
	Feb	13,428	1,957	6.1	362
	Mar	13,454	1,960	6.0	364
	Apr	13,495	1,960	6.0	366
	May	13,537	1,965	6.0	356
	Jun	13,578	1,962	5.9	352
	Jul	13,604	1,946	5.9	351
	Aug	13,649	1,945	5.9	358
	Sep	13,705	1,953	5.9	354
	Oct	13,728	1,944	5.8	334
	Nov	13,768	1,937	5.8	354
	Dec	13,801	1,933	5.7	371
1999	Jan	13,786	1,925	5.6	356
	Feb	13,827	1,923	5.5	366
	Mar	13,856	1,924	5.5	369
	Apr	13,900	1,925	5.4	363
	May	13,925	1,924	5.3	377
	Jun	13,948	1,923	5.2	376
	Jul	14,002	1,922	5.1	350
	Aug	14,033	1,923	5.0	358
	Sep	14,064	1,927	5.0	364
	Oct	14,084	1,924	5.0	344
	Nov	14,121	1,923	4.9	348
	Dec	14,171	1,925	5.0	341
2000	Jan	14,212	1,921	4.8	357
	Feb	14,253	1,922	4.6	345
	Mar	14,270	1,920	5.0	345
	Apr	14,331	1,924	4.8	335
	May	14,384	1,925	5.1	333
	Jun	14,404	1,926	5.3	333
	Jul	14,436	1,921	5.1	334
	Aug	14,451	1,923	5.1	343

		Personal Income (\$ millions)	Wages & Salaries from Mining, Construction and Manufacturing (\$ millions)	Taxable Sales (\$ millions)
1995	Qtr I	756,093	85,169	72,555
	Qtr II	770,213	86,494	74,894
	Qtr III	777,974	87,800	76,045
	Qtr IV	781,601	88,764	76,863
1996	Qtr I	801,897	93,871	78,937
	Qtr II	806,756	91,200	80,116
	Qtr III	811,257	90,351	80,398
	Qtr IV	829,707	94,874	81,145
1997	Qtr I	843,354	100,334	82,866
	Qtr II	854,511	102,253	84,167
	Qtr III	869,395	104,353	85,968
	Qtr IV	883,763	105,144	87,444
1998	Qtr I	898,326	108,238	87,246
	Qtr II	909,999	111,292	89,126
	Qtr III	925,083	112,773	90,733
	Qtr IV	948,401	117,229	91,120
1999	Qtr I	950,840	116,005	93,739
	Qtr II	974,774	120,317	97,146
	Qtr III	1,002,365	127,169	99,747
	Qtr IV	1,030,847	131,018	103,096
2000	Qtr I	1,087,988	146,931	106,317
	Qtr II	1,077,235	139,637	108,739

a/ Seasonally adjusted by the California Department of Finance with the exception of the nonagricultural and manufacturing employment and the unemployment rate which are seasonally adjusted by the California Employment Development Department.



OTHER  
INDICATORS

DOD Prime Contracts a/						Foreign Trade through California Ports			
	\$ millions	% of U.S.		\$ millions	% of U.S.		\$ millions		\$ millions
1981-82	22,685	21.8	1990-91	24,265	19.5	1999		2000	
1982-83	26,387	22.2	1991-92	23,843	21.2	Jan	23,484	Jan	27,067
1983-84	28,520	23.0	1992-93	22,952	20.1	Feb	23,751	Feb	27,883
1984-85	29,115	20.8	1993-94	22,573	20.5	Mar	26,988	Mar	31,957
1985-86	27,738	20.4	1994-95	18,277	16.8	Apr	25,670	Apr	31,128
1986-87	24,515	18.4	1995-96	18,230	16.7	May	25,717	May	30,898
1987-88	23,458	18.7	1996-97	18,477	17.3	Jun	27,897	Jun	33,650
1988-89	23,125	19.3	1997-98	17,401	15.9	Jul	27,901	Jul	33,222
1989-90	22,312	18.4	1998-99	17,372	15.1	Aug	28,956		
						Sep	29,764		
						Oct	30,408		
						Nov	30,131		
						Dec	30,252		

a/ U.S. fiscal year: October through September

TECHNICAL  
NOTE

ECONOMIC INDICATOR CHARTS

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are manufacturing employment and taxable sales. These series are discussed in the technical note below.

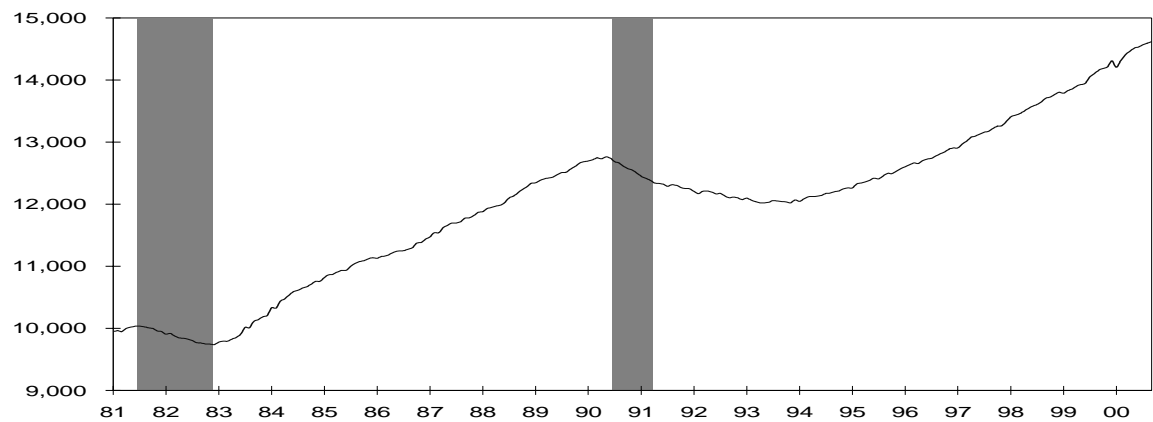
Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-11 Arima program. Persons interested in a detailed description of this method are referred to Statistics Canada, *The X-11 Arima Seasonal Adjustment Method* (Catalog No. 12-564E, February 1980).

Under the X-11 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the California Economic Indicators it is necessary to “freeze” the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

This series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

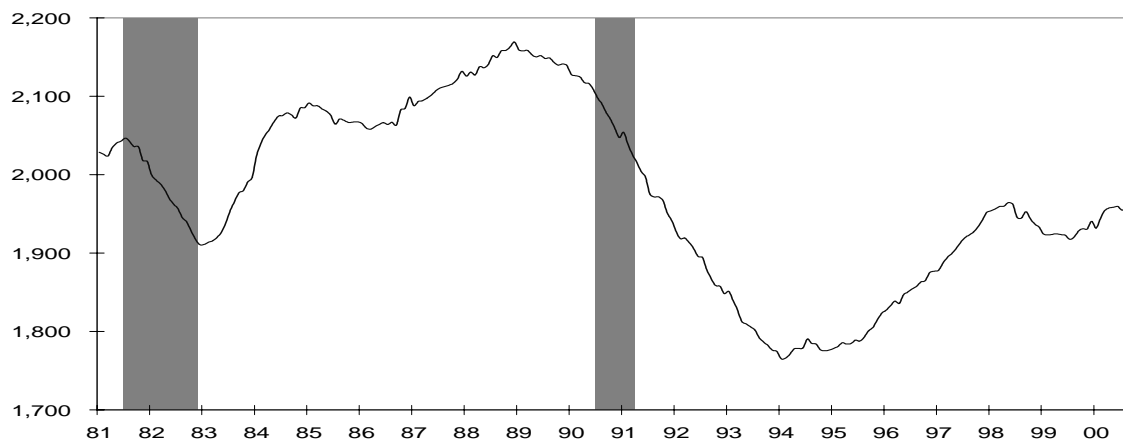
Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is, therefore, a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950. The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.

NONAGRICULTURAL  
EMPLOYMENT  
(THOUSANDS,  
SEASONALLY ADJUSTED)  
— . . . —



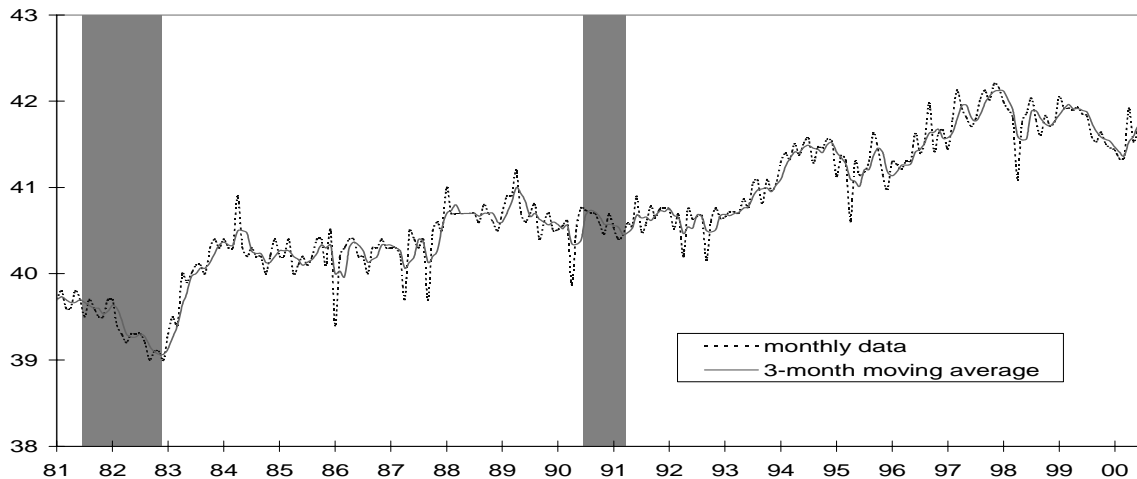
# MANUFACTURING EMPLOYMENT (THOUSANDS, SEASONALLY ADJUSTED)

— . . . —



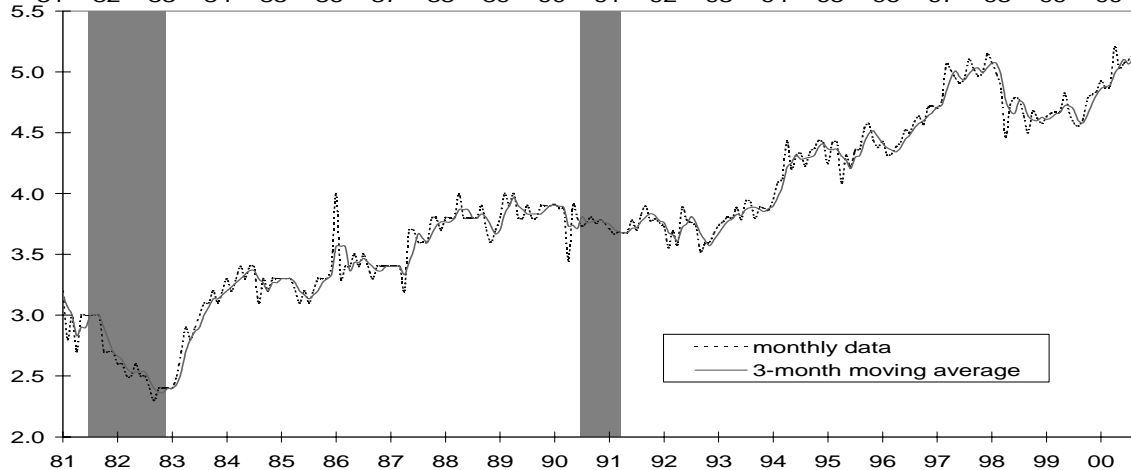
# AVERAGE WEEKLY HOURS, MANUFACTURING (SEASONALLY ADJUSTED)

— . . . —



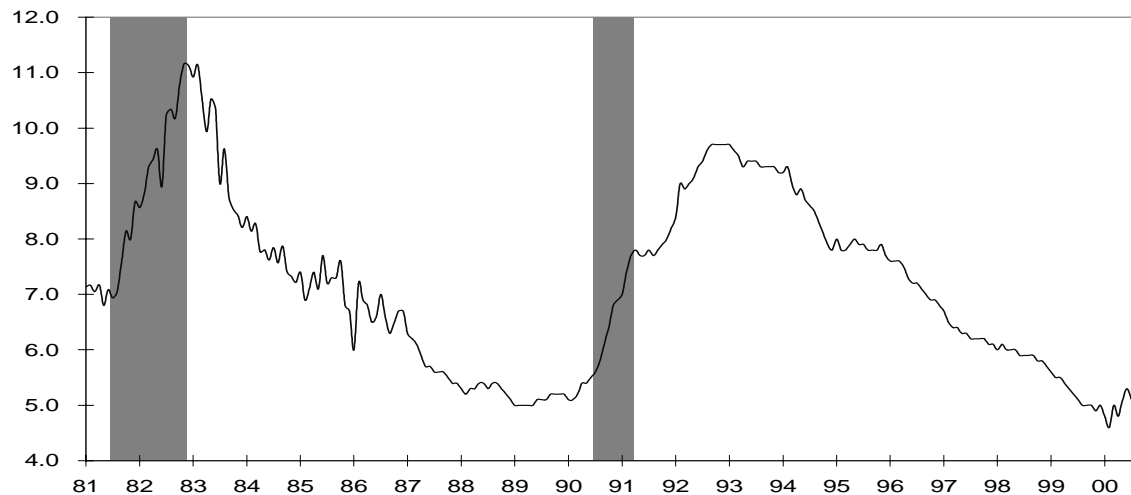
# AVERAGE OVERTIME HOURS, MANUFACTURING (SEASONALLY ADJUSTED)

— . . . —



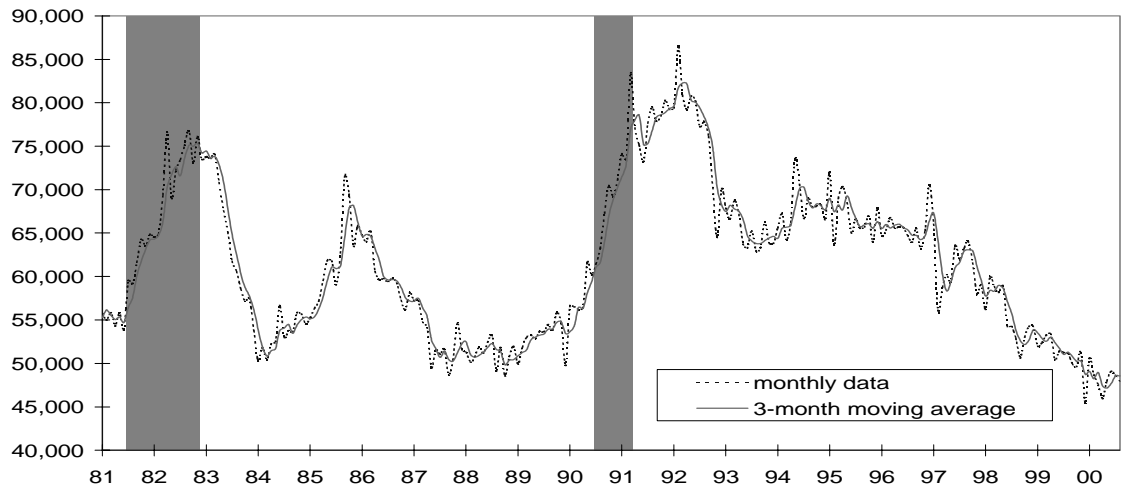
# UNEMPLOYMENT RATE (PERCENT)

— . . . —



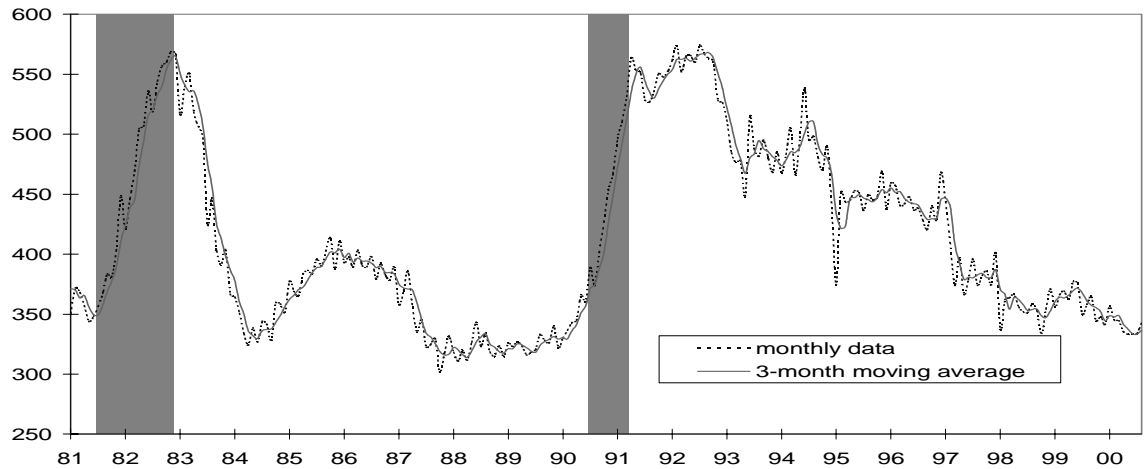
# INITIAL & TRANSITIONAL CLAIMS FOR UNEMPLOYMENT INSURANCE

(WEEKLY AVERAGE, SEASONALLY ADJUSTED)



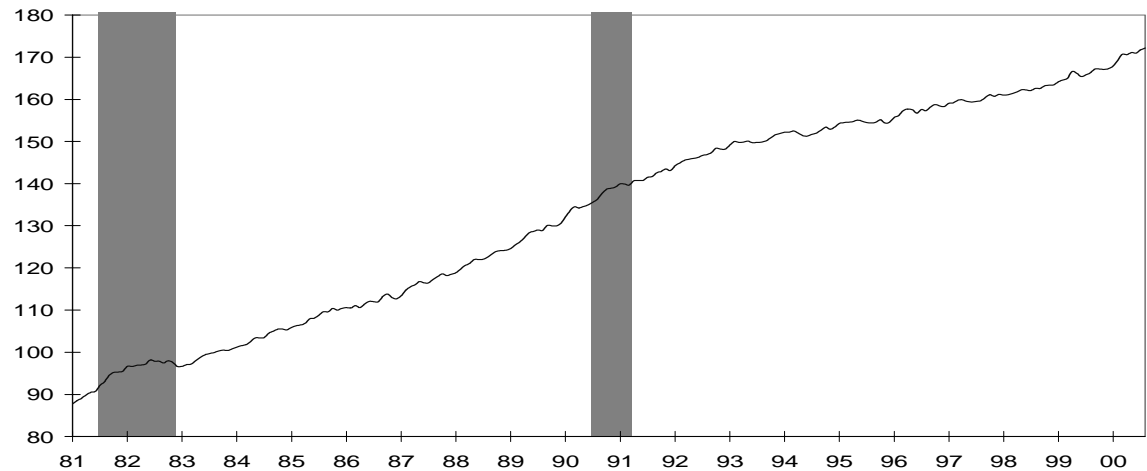
# UNEMPLOYMENT, AVERAGE WEEKS CLAIMED

(THOUSANDS, SEASONALLY ADJUSTED)



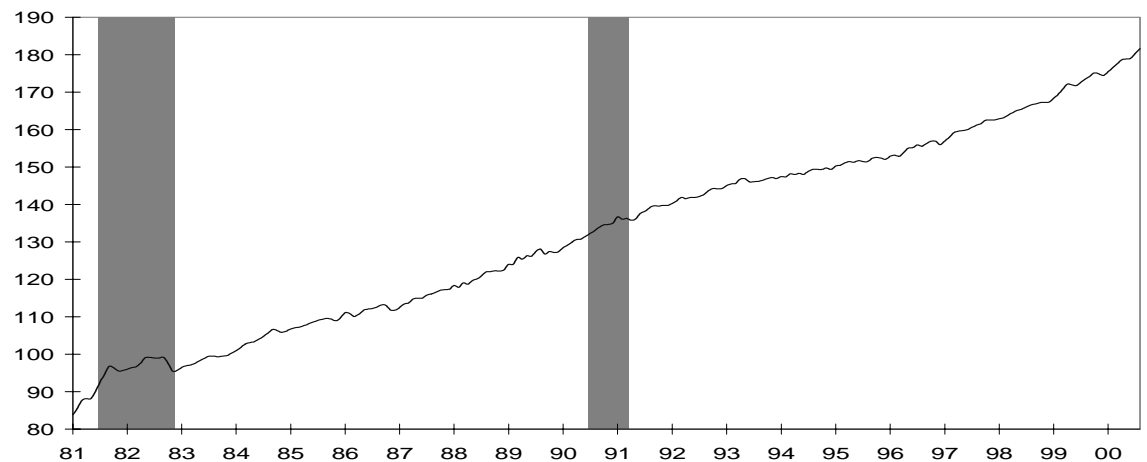
# CONSUMER PRICE INDEX, LOS ANGELES

(1982-84=100)



# CONSUMER PRICE INDEX, SAN FRANCISCO

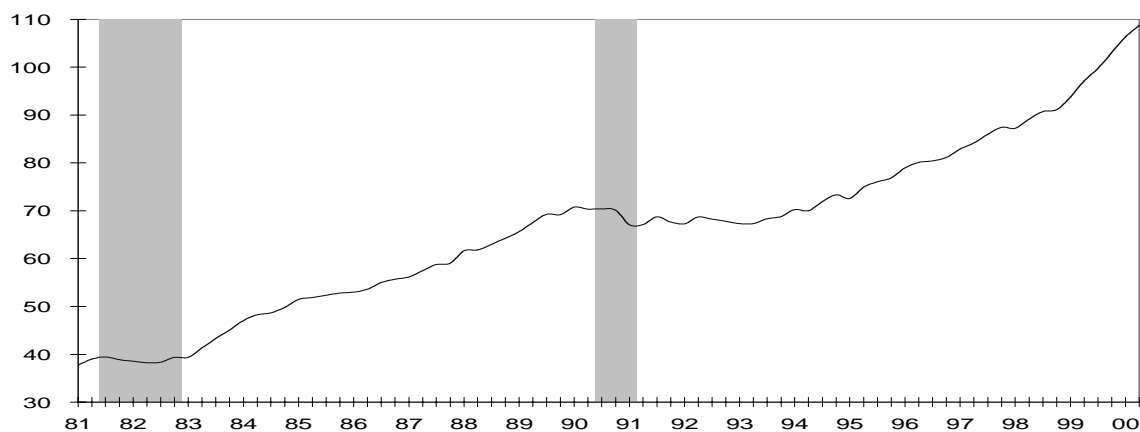
(1982-84=100)



## TAXABLE SALES

(DOLLARS IN BILLIONS,  
SEASONALLY ADJUSTED)

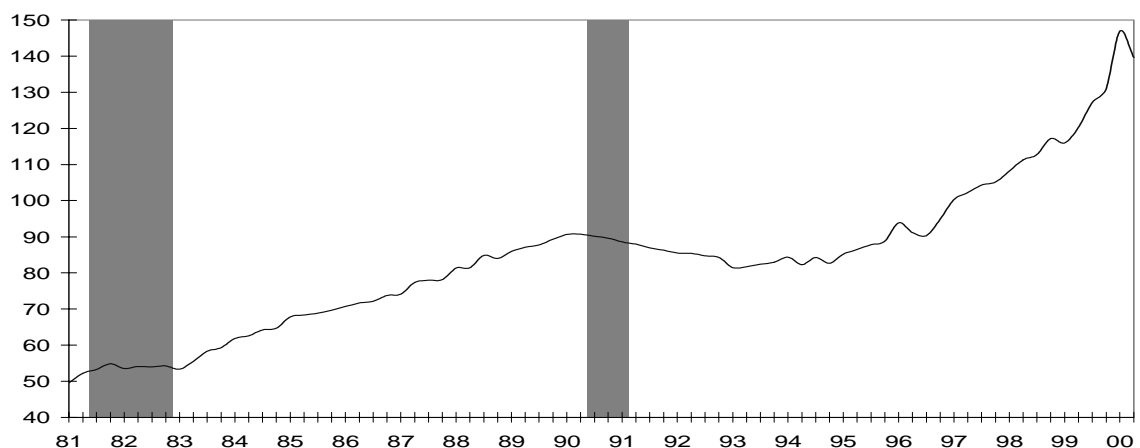
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## WAGES AND SALARIES IN MINING, CONSTRUCTION AND MANUFACTURING

(DOLLARS IN BILLIONS,  
SEASONALLY ADJUSTED)

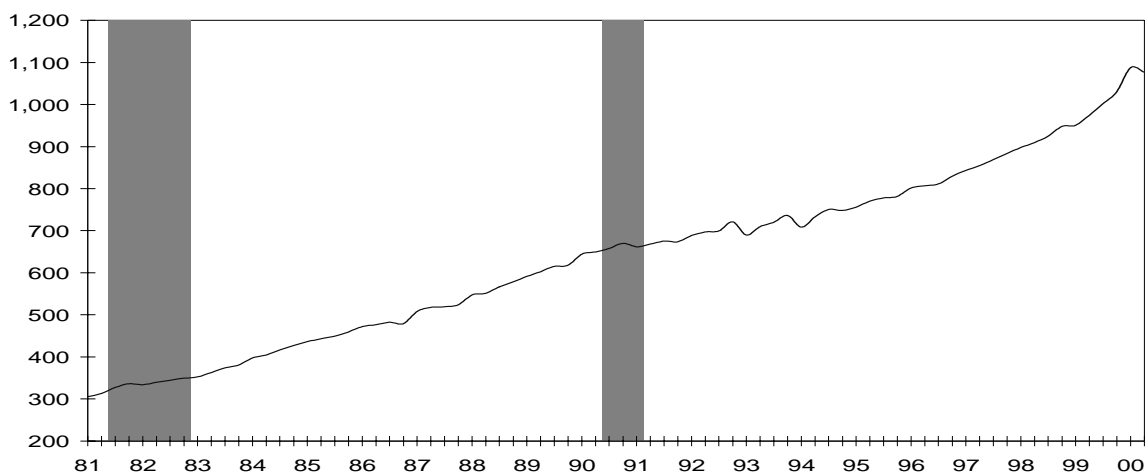
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## PERSONAL INCOME

(DOLLARS IN BILLIONS,  
SEASONALLY ADJUSTED)

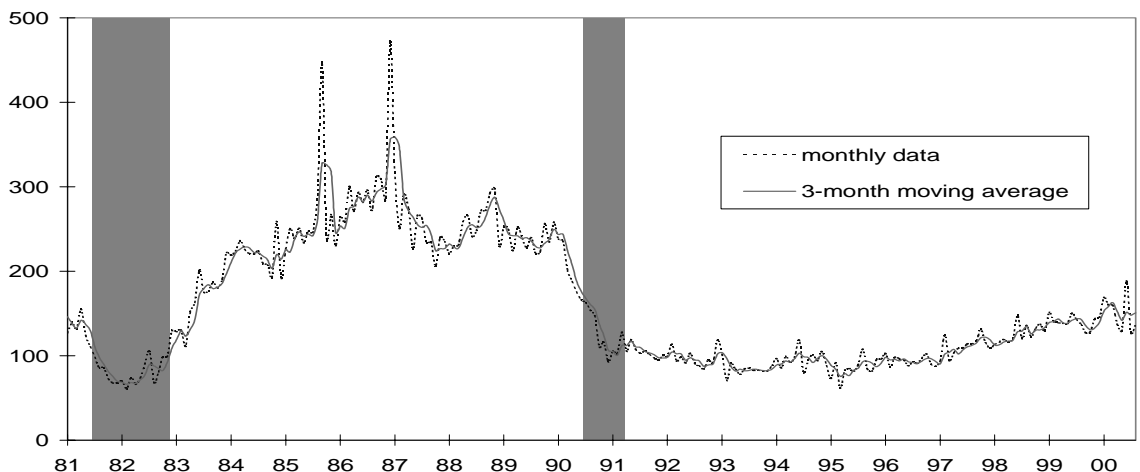
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## NEW HOUSING UNITS AUTHORIZED BY BUILDING PERMITS

(THOUSANDS, SEASONALLY  
ADJUSTED AT ANNUAL RATE)

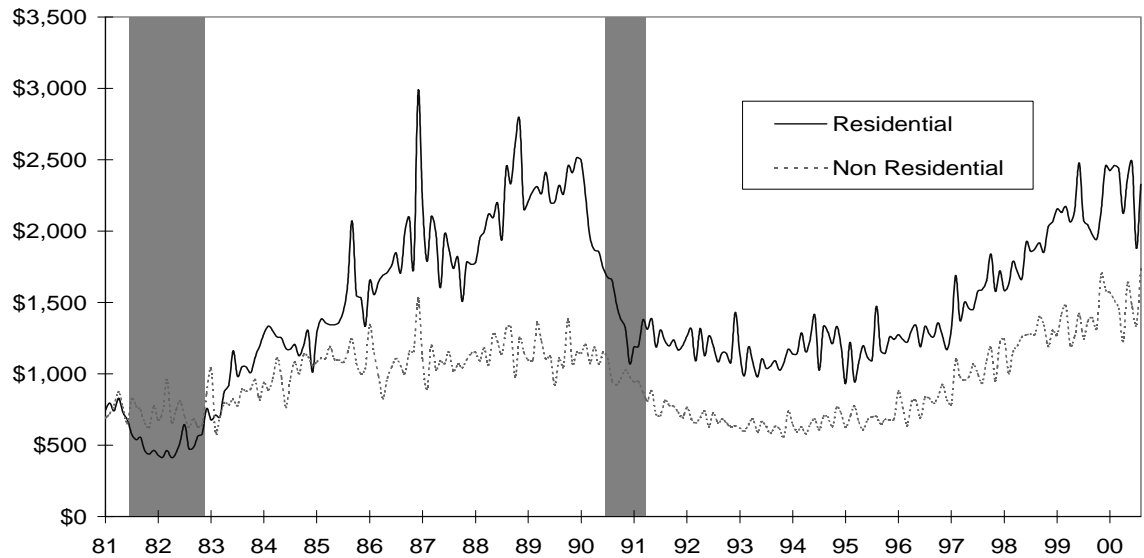
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## RESIDENTIAL & NONRESIDENTIAL BUILDING PERMIT VALUATION

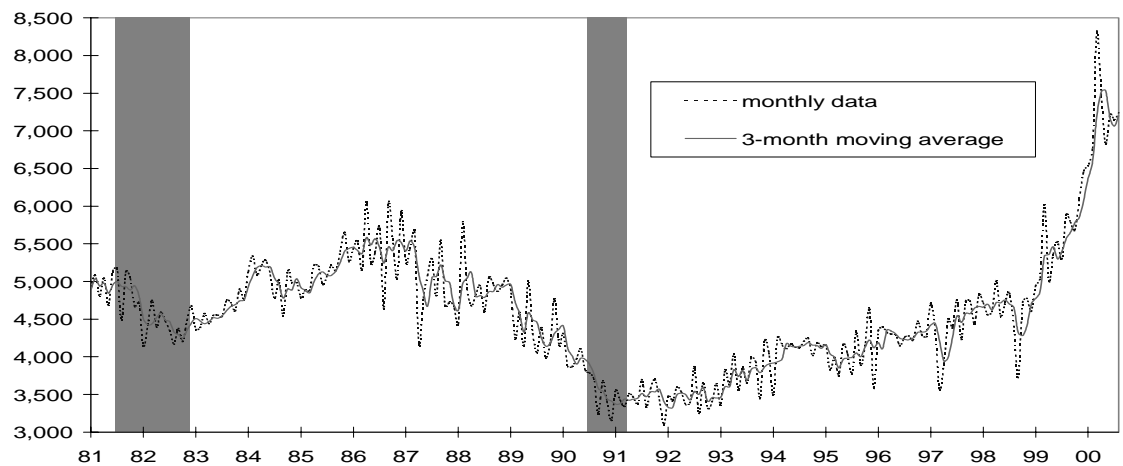
(DOLLARS IN MILLIONS, SEASONALLY ADJUSTED)

— . . . —



## NEW BUSINESS INCORPORATIONS (SEASONALLY ADJUSTED)

— . . . —



## CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national and international events of general interest have also been included. A similar summary of event dating back to 1956 is available at the Department's home page at: <http://www.dof.ca.gov/>

1998

January 5

Bond prices surged sending the 30-year Treasury to a record low yield of 5.73 percent, while comparable government-bond yields reached their lowest levels since the 1960s.

February 2

Standard and Poor's stock index passed the 1000 milestone for the first time.

February 27

Fourth quarter 1997 GDP growth rate revised to 3.9 percent, down from an initial estimate of 4.3 percent.

March 1

California's minimum wage raised from \$5.15 to \$5.75.

Winter

El Nino-fueled storms caused widespread flooding and landslides in California.

Thirty-five counties declared federal disaster areas. The State's agriculture industry estimates a flood-related loss of \$57.4 million so far.

March 19

The U.S. trade deficit for January widened to its worst level in six years.

March 20

Boeing plans to reduce approximately 6,200 jobs in California by the year 2000.

March 24

Xerox Corp. plans to cut 10,000 jobs worldwide or 11 percent of its workforce.

March 30

OPEC agreed to cut crude-oil production by 1.25 million barrels a day.

<b>April 6</b>	Dow Jones Industrial average topped the 9000 mark.
<b>April 8</b>	Tornadoes swept the South causing death and significant property damage.
<b>April 13</b>	NationsBank formally announced its merger with BankAmerica while BancOne confirmed its planned combination with First Chicago.
<b>April 14</b>	Intel announced that it will eliminate up to 3,000 jobs over the next six months.
<b>April 22</b>	National Semiconductor plans to cut its worldwide workforce by 10 percent, or about 1,400 people.
<b>May 6</b>	Compaq plans to eliminate 15,000 jobs following its purchase of Digital Equipment
<b>June 4</b>	Motorola plans to layoff 10 percent of its workforce, or about 15,000 workers.
<b>June 5-July 28</b>	United Auto Workers strike at General Motors.
<b>June 8</b>	Wells Fargo & Co. and Norwest agreed to merge.
<b>June 12</b>	California's unemployment rate fell in May to its lowest level in nearly 8 years.
<b>June 18</b>	Texas Instruments plans to eliminate 3,500 jobs worldwide, about 8 percent of its payroll.
<b>June 24</b>	OPEC agreed to cut crude-oil production by 1.4 million barrels per day. June 25 Rockwell International Corporation will cut 9 percent of its workforce, or 3,800 jobs.
<b>June 26</b>	El Niño damage to California's agricultural industry soars to \$422 million. Lockheed announced its plan to lay off 2,500 workers at Sunnyvale, California.
<b>June</b>	Japan officially declares a recession.
<b>June 29</b>	Chinese and U.S. companies signed \$1.1 billion in new business deals, including China's agreement of intent to purchase 27 Boeing Co. jetliners.
<b>July 10</b>	IMF agreed to provide Russia with an assistance package worth \$14 billion.
<b>July 16</b>	Lockheed Martin called off its proposed merger with Northrop Grumman. The Nasdaq composite edged over 2,000 for the first time.
<b>August 13</b>	Boeing to transfer selected 737 assembly processes to Long Beach, California.
<b>August 14</b>	California agriculture flourished in 1997, breaking records in both production and income NationsBank and BankAmerica merger gets federal approval.
<b>August 17</b>	Golden State Bancorp and California Federal Bank agreed to merge.
<b>August 31</b>	The Dow Jones Industrial average fell 512.61 points wiping out what remained of the year's gains. The Nasdaq Composite fell 140.43, its worst point drop ever.
<b>September 2</b>	Northwest Airlines issued layoff notices to 27,500 employees, or 55 percent of its workforce.
<b>September 15</b>	Rockwell International Corp. to eliminate around 900 jobs.
<b>September 17</b>	Citigroup expects to eliminate about 8,000 jobs by year end, or 5 percent of its workforce.
<b>September 21</b>	Russia devalues currency and restricts international transactions including debt repayments. Financial firms have lost more than \$8 billion so far in the fallout from Russia's financial collapse.
<b>September 29</b>	Federal funds rate reduced from 5.50 percent to 5.25 percent. Dow Jones Industrial average fell 237.90 points the next day.
<b>October 2</b>	California's credit rating was upgraded by Moody's Investors Service Hewlett-Packard Co. will eliminate 2,500 jobs or 2 percent of its workforce.
<b>October 6</b>	Washington Mutual Inc. will close 161 branches in California as a result of its Home Savings of America acquisition.
<b>October 7</b>	Raytheon Co. to cut workforce by 14,000.
<b>October 8</b>	Packard Bell NEC to cut U.S. workforce by 20 percent.
<b>October 12</b>	Merrill Lynch will cut work force by 3,400 or 5 percent.
<b>October 15</b>	Federal funds rate reduced from 5.25 to 5.00 percent. Discount rate reduced from 5.00 to 4.75 percent. The Dow Jones Industrial average rose to more than 330 points and led to rallies in European, Asian and Latin American stock markets. Canada and Argentina followed with rate cuts of their own.
<b>October 30</b>	Third quarter GDP jumped to an annual rate of 3.3 percent exceeding estimates.
<b>November 12</b>	Brazil reached a pact with leading countries and lenders on a \$42 billion rescue package, in a move aimed at preventing the financial crisis from spreading throughout South America.



<b>November 17</b>	Federal funds rate reduced from 5.00 to 4.75 percent. Discount rate reduced from 4.75 to 4.50 percent.
<b>December 1</b>	Exxon and Mobil confirmed their plans to merge, creating the world's largest oil producer.
<b>December 2</b>	NEC Electronics lays off about 400 workers or 13 percent of its U.S. workforce.
<b>December 9</b>	MCI WorldCom Inc. plans to layoff about 3,750 or between 3 to 5 percent of its workforce. Trans World Airlines announced its biggest plane order ever, confirming it has placed orders and options for up to 250 Airbus and Boeing jets.
<b>1999</b> — . . . —	
<b>January 1</b>	A new reserve currency, the "euro" is introduced, creating a single market in Europe. It will be the currency of reference for the 11 countries participating in the European Monetary Union.
<b>January 13</b>	Brazil devalues its currency sending U.S. stocks into a free fall.
<b>January 21</b>	The 1998 trade deficit hit an all-time high of \$175 billion, 58 percent more than the shortfall recorded in 1997.
<b>March 22</b>	OPEC agreed to reduce crude oil production by 2.1 million barrels per day and maintain lower levels of output for a full year.
<b>March 29</b>	Dow Jones Industrial average topped the 10,000 mark.
<b>April 9</b>	The European Central Bank cut its key discount rate, for the first time, from 3.0 to 2.5 percent.
<b>June 29</b>	Federal funds rate raised from 4.75 to 5.00 percent.
<b>July 28</b>	GDP rose 2.3 percent in second quarter.
<b>August 24</b>	Federal funds rate raised from 5.00 to 5.25 percent. Discount rate raised from 4.50 to 4.75 percent.
<b>September 21</b>	A 7.6 magnitude earthquake hits Taiwan.
<b>September 30</b>	In 1998, the US poverty rate fell to its lowest in 20 years at 12.7 percent. Real median household income hit a record 3.5 percent growth surpassing its pre-recessionary peak in 1989, and for the first time since 1975, all four US regions experienced significant increases.
<b>September 30</b>	Second quarter GDP growth rate revised to 1.6 percent, the smallest gain in four years.
<b>October 4</b>	MCI WorldCom to buy Sprint.
<b>October 13</b>	Producer Price Index for finished goods jumped 1.1 percent in September, the largest monthly increase in 9 years.
<b>October 15</b>	California's unemployment rate dropped to 4.9 percent, the lowest since 1969.
<b>October 27</b>	GDP for third quarter grew at 4.8 percent, 2 <sup>nd</sup> quarter growth rate was revised upward to 1.9 percent from the original 1.6 percent.
<b>November 1</b>	Dow Jones & Co. added the technology leaders Microsoft and Intel as well as two other issues, to its industrial average, the first time that Nasdaq stocks have been included. It also dropped four companies that have been components for most of the 20 <sup>th</sup> century.
<b>November 2</b>	Nasdaq closed above the 3000 mark for the first time. Packard Bell says it will end its computer manufacturing business, close its Sacramento plant, and lay off 80 percent of its US workforce.
<b>November 16</b>	Federal funds rate raised from 5.25 to 5.50 percent. Discount rate raised from 4.75 to 5.00 percent.
<b>November 17</b>	Crude-oil futures hit an almost nine-year high, rising 90 cents to \$26.60 a barrel.
<b>November 24</b>	Third quarter GDP grew at an annual rate of 5.5 percent, well above previous estimates.
<b>November 30</b>	Exxon and Mobil merger approved by federal regulators.
<b>December 2</b>	The euro fell to parity with the dollar for the first time since its launch in January as Europe's common currency.
<b>December 17</b>	Pharmacia and Monsanto agreed to merge.
<b>December 22</b>	Third quarter GDP rose at 5.7 percent annual pace, above the previous estimate of 5.5 percent.
<b>December 29</b>	Nasdaq closed above the 4000 mark for the first time.

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## 2000

**January 27**

Fourth quarter GDP grew at an annual rate of 5.8 percent.

**February 2**

Federal funds rate raised from 5.50 percent to 5.75 percent.

Discount rate raised from 5.00 percent to 5.25 percent.

**February 4**

The nation's jobless rate at 4 percent is lowest in 3 decades.

**February 7**

Pfizer Inc. and Warner-Lambert Co complete merger deal.

**March 20**

Boeing Co. engineers and technical workers returned to work after a 40-day strike ending one of the biggest white-collar walkouts in US history.

Crude oil prices drop below \$30 a barrel.

**March 21**

Federal funds rate raised from 5.75 percent to 6.0 percent.

Discount rate raised from 5.25 percent to 5.50 percent.

**March 30**

GDP growth rate for 4<sup>th</sup> quarter was revised upward to 7.3 percent, its strongest pace since 1984.

**April 7**

President Clinton signed into law a bill allowing older Americans to work without losing any of their Social Security benefits.

**April 10**

Wells Fargo & Co agreed to acquire First Security Corporation of Utah.

**April 27**

First quarter GDP grew at an annual rate of 5.4 percent with consumer spending jumping 8.3 percent, the sharpest gain in more than 17 years.

Employment cost index jumped 1.4 percent in the first quarter, the sharpest increase in 11 years.

**May 16**

Federal funds rate raised from 6.0 percent to 6.5 percent.

Discount rate raised from 5.5 percent to 6.0 percent.

**June 29**

GDP 1<sup>st</sup> quarter growth rate revised from 5.4 to 5.5 percent.

**July 28**

GDP 2<sup>nd</sup> quarter grew at an annual rate of 5.2 percent.

**August -**

World oil prices are rising because of increasingly tight supplies. U.S. inventories are at their lowest level since 1976 and crude prices have increased significantly contributing to costlier gasoline and heating oil.

**September 19**

China was granted permanent normal trade relations status with the U.S.

**September 28**

GDP growth rate for 2<sup>nd</sup> quarter was revised to 5.6 percent.

**October 18**

Social Security and Supplemental Security income payments will increase by 3.5 percent in 2001, the biggest in almost a decade.

**October 31**

OPEC plans to increase oil production by 500,000 barrels per day making it the fourth increase this year.